

Highlights of Laird/Packard Confirmation Hearing of 15 January 1969
Before the Senate Armed Services Committee

1. The hearing ran from 10 o'clock to 1:00 o'clock, completing the public hearings on the nominations. All the Republican members of the Committee, with the exception of Senator Peter Dominick (R., Colo.), were present throughout most of the hearing, including the four new members--Senators George Murphy (R., Calif.), Edward W. Brooke (R., Mass.), Barry Goldwater (R., Ariz.), and Richard S. Schweiker (R., Pa.). Chairman Stennis welcomed the new members and was glad that they all had reputations as working congressmen because he said the Committee is going to be very busy. The Chairman took note of the fact that Senators Jack Miller (R., Iowa) and James Pearson (R., Kans.) had for their own good reasons been reassigned to other committees. On the Democrat side Senators Henry M. Jackson (D., Wash.) and Howard W. Cannon (D., Nev.) were absent. Senator Charles Percy (R., Ill.), not a member of the Committee, was also present.

2. Laird. All who spoke were friendly and highly complimentary to Laird.

3. Packard. Most of the session was devoted to the potential conflict of interest situation in connection with Packard's holdings in the Hewlett Packard Corporation. Packard outlined his approach to the

problem which was to place his and Mrs. Packard's stock in the Corporation into a trust arrangement for a period of two years or for as long as he is in Government service, whichever is later, with all earnings from this stock to be divided in this charitable trust among a number of organizations the identity of which are on file before the Committee but which will not be made public. These organizations will benefit from the current \$700,000 a year dividend income from the stock according to a percent which is fixed. These organizations will also benefit from any appreciation of stock from the effective date of the trust instrument until its termination. The trustees have leeway in determining which organization will get this appreciation. Upon the termination of the trust Packard and his wife will receive back from the trustees the number of shares equal to the value of the shares at the time they are placed in trust. Evaluation for this computation will be established by averaging the price of the stock over a five day period prior to the effective date of the trust and prior to its termination. Packard is also withdrawing as a lump-sum payment his equity in the Corporation's retirement program. He also will sell his other stockholdings.

4. The reaction to this plan was as follows:

Stennis: Citing the existing conflict of interest laws in title 18 to the effect that a Federal officer is not permitted to make a

decision which bounds to his self-interest, said it had been the policy of the Committee to go beyond this conflict of interest statutory standard and require a complete divestment of stock, citing the cases of Charles E. Wilson in 1963 and later Bob McNamara. He said actions in these cases should not necessarily serve as precedent for the Packard case and ~~was~~ alluded to the case of Governor Price Daniels and his interest in off shore oil from which he was not required to divest completely. Stennis, however, showed concern about the selection of the trustees and Packard indicated that he would be perfectly agreeable to review this with the Committee.

b. Smith. Senator Margaret Chase Smith (R., Maine) observed that the entire situation would shed light on the confusion surrounding the conflict of interest rules and felt that Packard's integrity and character would not be changed by adherence to these rules, ^{she} ~~and~~ instead showed interest in the Packard's Company's past refusal to permit the General Accounting Office to examine the cost of certain Packard-developed products which apparently wound up in a court decision unfavorable to Packard on this issue. Packard explained that in the case his concern was giving his competitors information on the cost of developing shelf items. Smith found some inconsistencies with this and Packard's failure to request confidential treatment of this information before the Security Exchange Commission. To this Packard retorted that in the SEC case the figures presented related to all of Packard's operations and not this specific shelf item. Packard agreed with Mrs. Smith that GAO has an important

job to do, that Government contractors should cooperate with it, and in this connection noted his Corporation's longstanding cooperation with the Renegotiation Board to assure ~~that~~ against excess profits.

c. Murphy. Senator George Murphy (R., Calif.) said he sympathized with the Packard Corporation's problem in doing business with the Government, referencing a corporation of which he was vice president which had apparently been requested to share information with foreign countries and Murphy refused.

d. Inouye. Senator Daniel K. Inouye (D., Hawaii) asked whether Packard would consider extending the term of the trust to say 10 years beyond his leaving Government service. Packard appeared to be reluctant saying he had gone over this very carefully and that no purpose seemed to be served by such a provision and indicating that he may not be satisfactory to the Administration and could be fired from the position summarily.

e. McIntyre. Senator Thomas J. McIntyre (D., N.H.), while recognizing the financial sacrifice, pushed the hardest on the conflict of interest situation going into the extent of Packard's defense-related business, which of their \$280 million domestic sales involves 15-20 percent direct contracting with DOD, 3 percent with other Federal agencies, and about 30-40 percent to Government contractors with DOD.

McIntyre played the Vermont country lawyer part versus the captain of industry indicating that it is his feeling that conflict of interest is a problem in the Government and that it is natural for individuals to look out for their own self-interest. Packard's response was to McIntyre an unbelievable he could care less.

d. Byrd. Senator Harry F. Byrd (D., Va.) fully supported the Packard plan and noted the sacrifice he was making.

e. Schweiker. Senator Richard S. Schweiker (R., Pa.) felt the public should know how much income from dividends from stock Packard was giving up to show the extent of the sacrifice (it is \$700,000 a year).

5. Apparently this will be gone over very closely in executive session but I believe that the Packard trust plan, with possibly some conclusion on who will be selected as trustees, would be approved by the full Committee.

6. Other notes of interest. Goldwater in commenting on Laird said his dependability and morality is something that is needed in DOD. Percy was effusively eloquent on the high standing of Packard both from his position of competing with Packard when he was with Bell and Howell, his work with him in the Business Council, his work with him and as trustee of Cal Tech, /his relations with him as a result of their daughters sharing a room at college.

7. At the close of the hearing Senator Stennis read a letter from Senator Fulbright requesting certain ~~questions~~ ^{Answers} be provided by Laird on a number of topics including whether the national security would be served best through disarmament rather than weapons build up? Would Russia be expected to increase weapons development in response to the US ABM system? Evaluation of the US counterinsurgency program? View of social science research abroad, etc. Stennis said Laird could respond to these questions within the next two days.

8. Senator Stephen M. Young (D., Ohio) quoted certain passages out of Laird's book asking his reactions to whether General Walker's troop indoctrination program was proper. (Laird responded that if this means letting the commands and troops know the policy of ^{why they are} where they are--yes.) Senator Young brought up George Wash's ideas in this connection. Young wanted to know whether Laird would settle for parity with USSR in weapons and Laird said we should be superior. Young asked if too much money was going into defense at the cost of needed social programs and Laird responded that the percentage increase in social programs was greater than defense programs since the inception of HEW and said he was gratified by the progress(?) made, ^{and} which he had supported as member of the HEW Subcommittee of appropriations, in health, education, and welfare. In connection with the ABM program Laird said he would want

to restudy this as he was not sure that it would be worth the cost ~~if~~ as a thin system against the Chinese threat but that his evaluation of a "thick system" would probably be different. He cited the obsolescence of weapons systems before they can be deployed and opposition to BOMARC on that basis.

9. Senator Strom Thurmond (R., S.C.) referenced Packard's statement suggesting that East-West trade may be in our interest. Thurmond ~~xxx~~ stated he was strongly against such trade and Packard agreed with Thurmond that he Packard would necessarily follow whatever position the Administration adopted on this subject.

10. Senator Stuart Symington (D., Mo.) quoted a statement that had been made about him in a trade journal that Symington was against research programs. Symington observed that the trade journal existed on the advertising revenue of Government contractors. Symington said such a remark about him was, of course, absurd and that he had been in industry and ~~new~~ knew how important research is. Symington made the observation that we were not getting the hardware we should ~~get~~ ^{set} out of the level of research funding involved.

11. Ed Braswell was the key staff man on the Committee and was pretty evident as Senator Stennis' prompter. Stennis lived up to his most courteous reputation with the result that the hearing was a little bit disorganized and tended to ramble on. He was somewhat self-deprecating in terms of ^{not} being able to understand accounting and engineering lingo.